

**ARIZONA STATE PARKS
1300 W. WASHINGTON, PHOENIX
DECEMBER 31, 2009
MINUTES**

Board Members Present:

Reese Woodling, Chairman
Tracey Westerhausen, Vice Chairman
William Scalzo
Arlan Colton
Maria Baier

Board Members Absent:

Walter D. Armer, Jr.
Larry Landry

Attorney General's Office:

Laurie Hachtel

C. CALL TO ORDER – ROLL CALL – Time Certain: 10:00 a.m.

Chairman Woodling called the meeting to Order at 10:10 a.m. Roll Call indicated a quorum was present.

D. INTRODUCTIONS OF BOARD MEMBERS AND AGENCY STAFF

Board Members and Agency Staff introduced themselves. Mr. Scalzo read the Board Statement.

1. **Board Statement** – “As Board members we are gathered today to be the stewards and voice of Arizona State Parks and it’s Mission Statement to manage and conserve Arizona’s natural, cultural, and recreational resources for the benefit of the people, both in our parks and through our partners.”

E. DISCUSSION ITEMS

Ms. Bahl reported that the last couple of weeks have been very rocky for Arizona State Parks (ASP). The purpose of each discussion item is to bring the Board up-to-date on what staff know and what they are analyzing in terms of the budget. Staff will give the Board a lot of data and information today. Staff will not make any recommendations and are not here to discuss any particular parks or specific programs. Staff are here to brief the Board on the financial situation, the legislative situation, and all the various categories they are analyzing right now. At the January 15, 2010 Board meeting staff will bring recommendations forward to the Board on service cuts. The bottom line is that the agency will have to cut its services in order to meet this reduced budget. The meeting in January will be very big and include the same information staff are presenting today. She asked that Mr. Ziemann update the Board on the Special Session. She noted the Board had a copy of Senate Bill 1001, the version that the Governor signed, before them.

1. Update on budget reductions enacted in 2009 5th Special Session.

Mr. Ziemann referred to the lavender page in the Board information packet.

Mr. Ziemann reported that a little more than two weeks ago, Monday, December 14, 2009, there were news reports throughout Arizona that the Governor was imminently going to call a Special Session of the legislature to consider three items: a sales tax referral that she had been trying to get from the legislature for almost a year; the second issue was a withdrawal or elimination of Proposition 105 (the Voter Protection Act – also to be a referral on the ballot); and begin to address the \$1.2B shortfall the state is facing. Staff were interested in the Special Session because a tax increase could bring in more money to the state, and that could potentially help this and other agencies. Setting aside the Proposition 105 (Voter Protection Act) would affect the Land Conservation Fund which is one of the Board's largest funds. It is voter protected. Staff were, at least, moderately interested in that referral and what it could possibly mean to that fund in the long term. Regarding the \$2B budget deficit, this issue was minor because ASP receives no funds from the General Fund. Two weeks ago staff believed that the likelihood that the agency would get caught up in this was somewhat remote.

Mr. Ziemann added that on Tuesday evening, December 15, he received an E-mail from House Democratic staff asking what the consequences would be from a series of fund reductions and transfers. In budget lingo these are "FRATS". He was notified that the top \$3M were, again, fund reductions and transfers. He explained, for clarity's sake, a fund reduction and transfer is a reduction in the authority that the Board has to spend the money in each of those funds for that year. They are removing the Board's authority to spend those funds and are moving those funds into the General Fund. On Tuesday evening, staff became aware of at least some numbers that got staff very interested in this \$2B cut. Staff were at least on alert that the agency was going to be a part of this.

Mr. Ziemann noted that on Wednesday morning, December 16, staff had not seen anything official, but notified the Governor's Office and asked them for their opinion or if they were aware of any of these specifics. On this day, the day before the Special Session was to convene, staff received additional information about the excess balance transfers, what is commonly called a "sweep". These are not reductions in authority, but they will go into the various funds, find money that is available, and sweep them into the General Fund account fund.

Mr. Ziemann stated that December 17, the legislature convened. The Senate held an Appropriations meeting at 1:00 p.m. and went to the Floor immediately thereafter and, despite some misgivings, the budget bill passed with Republicans voting in favor and Democrats voting against.

Mr. Ziemann stated that on December 18, the House convened and again, despite misgivings and concerns, the bill went through the House Appropriations Committee, to the Floor, and they came back the next morning (December 19) and voted. This bill was passed and the legislature sent the bill to the Governor and adjourned *sine die*.

Mr. Ziemann reported that on December 23 the Governor signed the bill into law, again with misgivings of her own. She admonished the legislature for crafting legislation in a vacuum. Nevertheless, they were signed into law. This is the situation the agency faces going into 2010.

2. Update on revenue forecast, cash balance and cash flow by fund.

Mr. Ennis discussed revenues this year. He reported that there is slightly good news in terms of the Enhancement Fund, which is our parks' operating fund revenues. We are approximately 1.2% behind last year. People are still going to the parks. We are over our forecast by about 10% year-to-date.

Ms. Bahl reminded the Board that, going back to the Enhancement Fund, the majority of the park closures and five-days-a-week operations took place in November. Staff had anticipated lower revenues coming in and that is just beginning to happen now. This is great news – we're ahead but she wouldn't get too excited about it.

Mr. Scalzo added that our new fees don't commence until March.

Mr. Ennis continued his presentation. He discussed the Off-Highway Vehicle Fund. He noted that we are running 21% ahead of last year in terms of actual collections. Staff need to look at reallocating those funds later in the year.

Mr. Ennis stated that the State Lake Improvement (SLIF) is the only area of good news. The upshot is that we were able to earn six months at the old appropriation. The new formula rate will kick in in January 2010. As a result, the agency is operating at about 50% higher than staff anticipated at the Board meeting in August, and that has given the agency about 50% higher revenues which equates to about \$1M. By the end of this Fiscal Year staff anticipate the agency will be up 25%.

Mr. Ennis stated that staff's biggest disappointment continues to be interest earnings, which are a significant component of this agency's revenues. That is due, in part, to severely declining fund balances, as well as low interest rates. At a previous meeting the Board approved the Delegation of Authority for those funds that are under the Board's control to the Executive Director of the agency. Staff have consequently been in discussions with the Treasurer's office, particularly in regard to the Land Conservation Fund, which has a balance of about \$100M. Because of the state's cash flow issue, they are reluctant to move the money out of their shortest term fund into one of their other available pools. Fortunately, they did that two weeks ago. He believes that's because of the borrowing that the state has been able to do with the banks. It freed up a little bit of money. Staff had hoped to go into another fund because the Treasurer's Office discovered that there were some legal issues with that. Therefore, only a little of the government funds were moved. The Board has gone from about 8.8% to approximately 2% at the moment. Nevertheless we are running at about 50% behind last year in terms of interest earnings and about 50% below the forecast done in August. The good news is that the Board is earning higher rates in interest. On the other hand, staff do not know if or how long the Treasurer's Office may allow us to hold on to that money.

Mr. Scalzo asked what the interest rate is.

Mr. Ennis responded that it is approximately 200 basis points. The agency happens to be in a pool that includes some cities and towns.

Mr. Ennis noted the reduction of categories that were specifically approved / mentioned in Senate Bill 1001 (FRATS) that was signed by the Governor. As discussed earlier, FRATS are specified reductions in both appropriated and non-appropriated funds that

all agencies must meet by the end of this Fiscal Year. The other category that Mr. Ziemann mentioned is the Excess Balance Transfers, a.k.a. fund sweeps. He stated that it is particularly noteworthy that in the Enhancement Fund, ASP's operating fund, by law, must meet a \$671,300 from now to the end of the year. There are no capital or grant funds available. That money will have to come out of operating funds.

Mr. Ennis noted that particularly bothersome is that staff are not sure how these calculations were made, but the law is the law. They want a cash transfer from the Enhancement Fund of \$1,630,800 that also must be met.

Ms. Westerhausen stated that she did not understand what "excess balance transfers" refers to. ASP has never had any excess balance.

Ms. Bahl responded that the Excess Balance Transfer was meant to mean money in different accounts across the state that were not being used. In our case, that money is being used to keep parks open and operating. That is the term the legislature has used to sweep a fund.

Mr. Ennis resumed his presentation. He noted that the Publications Fund must reduce its operating expenditures by \$37,500, and they are also asking for Excess Balance Transfers of a so-called \$94,000. In SLIF there is \$528,000. There are some internal choices which staff will specifically discuss with the Board on January 15th concerning whether these come out of the operating portion of that fund. The capital portion has a small amount of grant money that was, at least previously, budgeted. In addition, they want \$1,387,000 in an immediate sweep. The Board has a choice there as to whether it can come out of what is designated capital funds or operating funds. The total for that fund is \$1,915,000. The legislature has asked for \$1.78M from the Heritage Fund. The Board has some choices there that staff will discuss in January. They also want immediate cash from operating grants and capital in the amount of \$2,124,000, or a total of \$3.9M. There is \$156,000 in the Partnerships fund. There are some Intergovernmental Agreements (IGAs) that might be on the table.

Mr. Ennis added that there has been some discussion about the legislature's choice of hitting the Donation Fund for a cash transfer of \$213,900. That would come from the accrued interest in that fund and the corpus of that fund.

Mr. Ennis stated that the total of the spending reduction that will have to be met by June 30 is \$3,022,000. The cash transfer could come at any time. In fact, at 5:30 p.m. last night the General Accounting Office (GAO) asked agencies to prepare for these transfers by January 15. They also said that if the agency cannot meet that date to discuss it with them and determine when these transfers can be met. The \$5.6M in cash is a total cut to the agency that has to be met in this Fiscal Year of \$8.6M to \$9M.

Mr. Ennis noted that this is a lot of information, but he would like to emphasize that the amount of \$4.7M is less than the agency typically starts a new year with a considerable amount. The agency started this year with more than \$7M. He pointed out that this does not currently estimate any one-time expenses this year, cash balances from the closure of parks and the one-time expenses that will have to be incurred there, and also the one-time expenses of payouts from potential reductions in force at parks, accrued vacation, and that sort of thing should that have to happen.

Mr. Ennis noted that it is quite a dire situation and staff have quite a task ahead of them but they will be working on the most reasonable options for the Board in the next two weeks.

Ms. Bahl re-emphasized the point that Mr. Ennis made regarding the cash balance of \$4.7M. Staff can almost guarantee that it won't be that high because there will be costs if there are park closures. Additionally, the estimated revenues of \$7.5M is 12 months of revenue coming in, assuming that nothing gets touched or manipulated and all of staff's revenue estimates are accurate. She noted that the agency has to start the year with money. That is a cash flow problem. The agency has to pay rent. If any parks remain open, there will be utilities to pay. There will be some staff left in the agency because it was not abolished. There will be a severe cash flow problem moving into the new Fiscal Year. Any parks that remain open will replenish the Enhancement Fund with the revenues that come in. As Mr. Ennis mentioned, staff will have to see if the lease/purchase agreement for Tonto Natural Bridge State Park can be delayed.

Ms. Westerhausen asked, assuming the Board starts to acquire funds from the Enhancement Fund, how the money can be spent before the legislature takes it.

Ms. Bahl responded that the agency will start the Fiscal Year with \$0 in the Enhancement Fund.

Ms. Bahl noted that the Enhancement Fund is a state fund. All the Board can do with any of its funds is spend them appropriately and for the best purposes to meet the people's needs. That is what staff will do and manage the cash flow so if we get into a situation where more money is taken we have ample money to take appropriate steps. She noted that this agency is unique because we have facilities. It's a fallacy to think that there's no cost associated with a closed park and that there is no cost to close a park. Staff still need to figure out how to balance this limited cash flow. It is staff's challenge to get that information to the Board.

Chairman Woodling asked where the \$448,000 figure for Tonto Natural Bridge State Park comes from.

Ms. Bahl responded that the \$448,000 is the lease-purchase payment. We always have a lease payment.

Chairman Woodling responded that that means there is no money for the lease in FY 2010. He asked what that does.

Ms. Bahl responded that staff are researching what it means. They have notified people that the agency does not have any money to pay it.

Mr. Ennis added that the Tonto lease payment is due in August.

Chairman Woodling asked how that relates to the Fiscal Year ending on June 30.

Mr. Ennis responded that this year's payment has been paid.

3. Discussion of various criteria related to ongoing agency operations, which may include park operations and support, capital projects and grant contracts.

Mr. Ream reported that Parks' staff are developing a matrix that will assist in making these service cuts to park operations. He referred to the slide on the screen depicting that matrix. Staff are looking at Visitation and Revenue. Net Revenue is one of the things the Board saw before as we have moved through this. He noted that what it costs to operate a park will play a key role. If there is only so much, it won't matter what the net revenue is. There is only so much to operate.

Mr. Ream noted that the cost to close a park will come into play quite quickly, as will cost to operate. Economic Impact is another thing that staff need to consider, especially when working with and notifying the communities.

Mr. Ream added that some capital development has been accrued through the Land and Water Conservation Fund (LWCF). The agency has certain liabilities under those funds to either repay them or keep a park open or do certain things with them. That will have to be worked through as staff works through service cuts.

Mr. Ream discussed local support. There has been some success in getting communities involved in supporting parks and keeping them open by providing seasonal staff and equipment. This could be a consideration. He noted that, regarding physical infrastructure, there are some large development projects on some of the parks, including water treatment plants, wastewater treatment plants, electrification of campgrounds, transformers, and a variety of things on all of these park properties that will be considered as part of the criteria.

Mr. Ream added that, regarding trespassing, there are some fences, but some are wide open spaces of land. Staff need to determine how to control trespassing – is it done by our presence now? If our presence is not there now, staff need to figure out how to control it. Staff will look at that criteria as well.

Mr. Ream discussed land use status and leases. There are problems here. The Board owns very few of its parks. The park properties that the Board does have are either leased or under patent from the Bureau of Land Management (BLM). The Riordan Mansion was a gift from the Riordan Family. Staff must determine what happens to these parks if they are closed, whether permanently or temporarily.

Mr. Ream discussed other responders and whether there is anyone who can take the parks' place for public safety. This is something that the Board should consider where liabilities are concerned, even if a park is just mothballed until funding is available. Staff need to determine how to pass this on to other responders.

Mr. Ream noted that there are not many templates on how to close parks that consist of 4,000-6,000 acres. Staff need to determine how to do it and how to post it and if it's even possible or should we expect that there will be encroachment on those properties.

Mr. Ream discussed the cost to cancel concession contracts. There are some concession contracts lasting 50 years and don't expire until 2018; there are others that are shorter-term. Staff have to determine the cost and liability on those concession contracts.

Mr. Ream stated that staff will look at all of the above. Some will carry more weight than others. That is how staff will approach their recommendations for the meeting on January 15.

Mr. Scalzo noted that local support has had some notoriety. He believes that what's really helped is when the cities and towns have come forward and given the Board cash to help sustain the parks, supported the parks, and provided equipment. That has allowed the Board's staff to continue to provide the quality of the operations that the Board needed. Yuma is a good example. They actually passed a sales tax to assist the Board. Spur Cross, which is run by the County with funding raised by the Town of Cave Creek, is another example. There are plenty of examples. They are fairly good models. It works best when existing staff are retained and other local entities (cities and towns) help by providing the revenue source. He asked if that is correct.

Ms. Bahl responded affirmatively. The Board's rangers have been trained and are the best operators of the parks.

Mr. Colton referred to trespassing frequency. He noted that the Board has some parks where, even if they are closed, they are part of access to other things. Catalina State Park is access to the Coronado National Forest; Oracle State Historic Park is access on the Arizona Trail, and there are others. He feels this is another piece of the matrix.

Mr. Ream responded that the Board has gateway parks. He stated that staff would get the criteria to the Board when they can and start filling in some of the blanks and answering some of the questions Board members might raise. He asked that, should Board members have additional questions or ideas, they contact Ms. Bahl. She will give them to him and he will add them to the matrix as it is developed. It will be dynamic. As Mr. Colton suggested, there are things staff have not thought of and will rely on others to think of them. Things will come up that staff simply did not know.

Mr. Ream then discussed State Parks grants and other projects. He noted that, under Parks, these are outstanding development projects. There is an extensive list of development projects that the Board has approved over the years. Some are funded; some are currently in design; some are under construction. How staff might use funds from fund balances will be considered. Staff are reviewing all those projects to see where things are and bringing them back to the Board. The Board may de-obligate some of that money for other purposes.

Mr. Ream then discussed grants. These are the grants that were suspended. He referred to a slide showing the funds in the various grant programs. The only one missing is SLIF, which Mr. Ennis stated is quite small. These grants include the Heritage Fund grants, Trails, Local, Regional and State Parks (LRSP), and Historic Preservation (HP) grants. Staff continue to fund them now and are receiving invoices for them.

Chairman Woodling asked if there were any further questions from the Board. He noted that this information is so overwhelming that they may be in shock right now.

Ms. Bahl noted that on January 15 the Board will have this information project-by-project and line-itemed out for them. This is the first glance and the first round of data that, she understands, is overwhelming. She is glad for this meeting today to begin to get the Board prepared. There are many, many moving parts to this and many consequences to each part. Staff are trying to build it up for the Board as staff are analyzing it all.

4. Discussion on strategies and potential solutions: financial, legislative, partnerships.

Ms. Bahl stated that, in discussing strategy, the Parks Board have stated that their priority is to keep parks open and operating. Staff continue to respect that as the priority. Staffs' recommendation to the Board in January will be based on that. However, it's not easy, as the Board has seen at this meeting. With the agency's limited resources and the severe cash flow problems staff will focus on parks with a net revenue that make money or have a very low net cost. Staff will also be looking at total revenue for the parks recommended to remain open. This is to rebuild the Enhancement Fund. As parks stay open, the money that comes in through gate fees and camping fees or tour fees will start to replenish the Enhancement Fund. The focus must be on replenishing the Enhancement Fund so it can fund the parks.

Ms. Bahl added that staff will explore every avenue to maximize all existing dollars for operating. Staff did a very good job of this at the beginning of this Fiscal Year. She can't guarantee that there's any more operating money left, but staff are going through every account and every project to see if we can prioritize operating over the expenses of projects or capital.

Ms. Bahl stated that, lastly, staff will bring a recommendation to the Parks Board on January 15 to again explore statutory remedies to maximize dollars for operating. In some cases, the Board has the authority to use money from certain funds for operating, and in other situations it is by statute and that statute would need to be revised by session law or permanently to allow the Board to use those funds.

Ms. Bahl stated that staffs' focus will be less on ASP's Mission but more on rebuilding the Enhancement Fund so as many parks as possible can be opened. It will all be about money if the goal is to keep parks open and operating.

Ms. Bahl stated that staffs' solutions will be to come forward with specific statutory language that could be amended to allow the Board to use funds for operating. Staff are requesting the Executive Branch to eliminate the special line item for Kartchner Caverns State Park which simply gives the Board more flexibility and cash flow. It does not give the Board any more money but it does give more flexibility to use all of the Enhancement Fund as a grouping. Staff will request that the Board's General Fund bridge loan be extended an additional year. It doesn't give the Board any more money, but it does help with cash flow. If the Board has to repay it at the end of this Fiscal Year, the cash flow problem will be even worse.

Ms. Bahl added that staff will explore anything else they can to help with the cash flow - even if this includes an outside bank or a line-of-credit. As far as she is concerned, nothing is off the table in terms of creativity to get through this. This is still a department; we still have the most spectacular parks in the nation. We just don't have any money for them right now. We need to rebuild it.

Ms. Bahl stated that the long-term solution that the Board has endorsed is Governor Brewer's Task Force recommendation, which is to add a surcharge on vehicles when they are registered and, in return, get free entry into State Parks. That would add an ongoing funding source for the agency. Staff continue to push that recommendation

and to get legislation drafted and, hopefully, through the legislature. That's staff's long-term solution.

Ms. Bahl noted that this presentation was pretty much doom-and-gloom. It's a lot of information. Staff have a lot of analyses to do and there are many moving parts and pieces to it. Staff will need to be very careful to be sure that there is money to keep the parks open through the end of the Fiscal Year, but at the same time not affecting the revenue stream so much that we can't keep other parks open. There will be many lines and triggers. The cash flow going into this year and next year will be critical. That will all be part of staffs' recommendation to the Board.

Chairman Woodling stated he knows that the immediate issue is cash flow and rebuilding the Enhancement Fund. He received a phone call from a former Board member who wanted to remind the Board, as a Board, to focus on where we are focusing right now, but also to realize that a lot of work was done for many, many years by former Board members, including some on this Board, to acquire and enhance natural areas like San Rafael and Sonoita Creek. A lot of those areas involve leases; a lot involve working with other agencies and entities. He wanted to remind this Board that there are a lot of things that can negatively affect those areas if the Board ignores them.

Chairman Woodling noted that the Board still has a Mission; we still read it at every Board meeting, but we need to focus in on what's important right now.

Mr. Colton asked if there is anything that exists that would suggest that, as the Board tries to rebuild the Enhancement Fund, it won't be swept again.

Ms. Bahl responded that we don't know that that won't happen.

Mr. Colton stated that he knows that, during the strategic planning process, the most significant priority, although not the only priority, was the parks themselves. He is not certain that the Board has the ability to keep all those parks open this year. He recalls staff saying that the most significant priority was keeping parks open through the end of this Fiscal Year. He is not entirely certain that the Board has the ability to keep all those parks open this year. He believes that he heard staff say they want to get through this Fiscal Year and then make the changes at the beginning of the next Fiscal Year. He is not sure the Board is in that position.

Ms. Bahl responded that the Board cannot keep all of its parks open this Fiscal Year. Part of staff's recommendation will be that there has to be park closures. The Board doesn't have the money to keep everything open; there has to be park closures. As the Enhancement Fund rebuilds, and if it is not manipulated for other purposes, then some of the parks that were closed may be reopened if there were enough money – but not all. This year where some parks are closed, we're on a reduced operating schedule at 17 parks, almost a 40% vacancy in the entire department. Out of \$19M we are going to \$7.5. There are really two choices – one is to try to hold on to a couple parks and do our best to try to grow that in the future, or we can give up. She is not here to recommend giving up.

Ms. Westerhausen asked what the mechanism is to protect money such as from Camp Verde or the people outside of Oracle where they are providing funds. She asked how

the Board can take advantage of that to pay for the agency's operating expenses and yet keep it safe from being swept.

Ms. Bahl responded that she would think that would be part of the contract language when they gave the money to us. When the legislature and the Governor signed that bill, those figures may still have been in there, but if they have the ability to take their money back through a stronger contract that would probably be the way to do it. She added that another idea staff have been exploring is that we do receive money from federal partners, i.e., the Site Stewards program, that typically the agency was given a year up front. Staff are now exploring ways of getting only a little bit of money – perhaps a month or two at a time so there is not as much money in the fund in order to have a guarantee or commitment that it will last throughout the year. Staff are looking at ways to ensure that money given to State Parks for certain purposes are used that way.

Mr. Scalzo noted that there are a number of issues. The good news is that people are still using the parks. Statistics show that. They obviously need our parks more than ever because they can't afford to take long trips and go elsewhere. Arizonans are using Arizona parks. Secondly, in difficult times the economic impact these parks have from local communities from Show Low to Yuma, is immeasurable. It brings in more taxes and revenues to those communities. He believes that what staff talk about in some of these facilities that produce revenues and have lowest net cost probably makes sense because they will have the greatest impact in this state on general sales taxes in communities. He believes that staff's focus is good. He looks forward to staff reporting to the Board in January.

Ms. Westerhausen suggested that what Mr. Scalzo just said (economic impact) should be part of the matrix.

Chairman Woodling stated that it sounds to him that the legislature and the Governor may not realize what kind of revenue this parks system brings in to the total General Fund. He doesn't know why they don't understand the numbers. They obviously have those numbers from their budget staff. It sounds like they are willing and able and want to kill the goose that laid the golden egg for them. It is not good business. He would like to talk to those people on an individual basis and find out what their thinking is. It just doesn't make sense – from a business standpoint; from a tourism standpoint; from a state growth standpoint – from any standpoint at all. They have got to know the numbers.

Mr. Colton stated that understands the Chairman's comment. To be honest, with a multi-billion dollar deficit, he doesn't think they give a horse's patootie. They've got structural deficit issues that they are not dealing with. He believes it's quite clear that the Board needs to make it clear that if we are closing parks and reducing operations of this department, then this is pretty much at the instruction of the legislature. But for them, clearly the Board would not be in this position. Having said that, and that is significant – significant to the Board – ASP is one of the tips of the iceberg. If they can't figure out a way to raise revenue, and they are impeding other agencies' ability to raise revenue as they are with us by taking whatever revenue we do get and using it for other purposes, they are in effect canibalising the system because of their fear of raising

revenue themselves. He believes that that is the bottom line. He believes that that is the political reality of what we are dealing with here.

Mr. Colton added that another point he wanted to make clear to staff in this building and throughout the parks who are extraordinarily dedicated that none of this is the fault of staff. None of this is them doing a bad job. They are doing the best job they can under the most difficult circumstances. Ms. Bahl reported a 40% vacancy rate. There will be no raises in sight for anyone. The ability to hold on to a job is in question. He wants to make sure that the Board gets the message across as a Board that we understand the pain that this is causing Parks' staff and that they are not responsible for it and should not have to take that pain upon themselves. They have done a good job.

Ms. Baier thanked staff for preparing these materials for the Board. They do a very good job of simplifying a very complicated series of issues. She feels that today's briefing has been very helpful and good preparation for the January 15 meeting. As Mr. Ream outlined in his presentation all this began in the middle of December. She knows that the people in this room and others in the agency worked tirelessly through the holidays to ensure that the Board has this body of information and additional information. She thanked each of them for their professionalism and dedication to the park system and also to those who enjoy the benefit of these parks. She knows that presiding over this process is probably one of the most difficult things a person could imagine in their profession. She knows it's been a real challenge for them both personally and professionally. She thanked them for their work.

Chairman Woodling added that, as Chairman of this Board, he takes this very seriously, as all the Board members do. He wanted staff to know that the Board really cares

Chairman Woodling noted that he and Ms. Bahl met with the Governor yesterday. She gave them quite a bit of time in her office. She agreed to meet with them regarding these cuts. He found the meeting to be very positive. He believes that she really cares about the Parks system and wants to do everything she can to save this system. He wanted the Board to know that there are some people on its side. Her two aides were present; her top aides were there, including John Arnold (Budget Director). He very much cares about this agency even though this is a small agency.

Chairman Woodling added that he was very encouraged by this meeting. However, there is just so much the Governor can do as far as our budget is concerned. We are a small agency, but we have a large impact in Arizona economically. To all of the people in this room that are here because they are concerned about State Parks he stated that the Board will do the best they can; they will take under advisement any staff recommendation on closures. This is a very hard time for everyone. He echoed Ms. Baier's comments about staff.

Ms. Westerhausen stated that on that note about the legislature and what they have done to this Board, ASP was founded by a bipartisan group who had leadership and vision. If we had any one of those things today, the entire state – not to mention ASP – would be in a better position. She noted that we have an important day coming up where we can elect people who have leadership and vision and whose goal is not to dismantle ASP. On a philosophical level, there are people in the legislature who don't

believe ASP should exist. Fortunately, we regularly get an opportunity to put new people in the legislature.

Mr. Colton noted that the Board and staff are being forced to look at whether or not there is enough cash to keep the system open, operating, and running at any given moment. While that is very important, it also has to be in the context of the longer term of what is likely to happen in state government. There are a lot of scenarios. His personal favorite is that we will go through 3-5 years of difficulties as a state unless there's a significant change in the next election. Even then, there will be difficulty. At some point we come out of the darkness and the doldrums and see what the system looks like as a whole. That's why he's thinking in terms of the things the Board can do that potentially maintain the ethicasy over the long run to be included in that matrix. That may mean that we don't keep all of the parks open. There may be some parks that, one way or another, have to be jettisoned. He doesn't know that the Board have any criteria or the ability to choose other than just revenue today, which will always put historic parks at a disadvantage, as well as the smaller rural parks in many cases. There may be parks that the Board should not be operating. If it's that important to a community, they will have to find a way to make that happen on their own. When discussions begin on protection of the given parks, will that discussion include whether there will be talk of a lot of investing in fencing; stationing a person there full time to guard a park. Those are the kinds of things he will be looking for on January 15.

Ms. Bahl stated that this concludes the staff's recommendation. She thanked the Board for their comments. She will pass them on to the department. This is a very difficult time; staff's determination is not deterred.

F. CALL TO THE PUBLIC

Chairman Woodling requested that speakers keep their comments brief.

Chairman Woodling invited Ms. Eileen Gannon, member of the Riordan Family to the podium.

Ms. Gannon stated that she feels the Board's pain. She doesn't have a solution to the Board's problems, but she would like to have a meeting with the Executive Director in her office to discuss some personal opinions she has as far as some leeway they might look at for the Riordan Mansion

Ms. Westerhausen noted that she is not aware of any support they might get from the City of Flagstaff.

Ms. Gannon responded that they get no support from Flagstaff at this time. She stated that they may approach them for support.

Chairman Woodling recognized Mayor Mark Nexsen, Lake Havasu City to approach the podium

Mayor Nexsen stated that he appreciates the budget crisis the Board is dealing with. As Mayor of the City of Lake Havasu, he is experiencing the same economic crisis. They have experienced shortfalls in revenue and have just made decisions regarding reductions in staff and services. Nevertheless, he believes that there can be a positive outcome at least to the park in Lake Havasu. The park is very, very important to their

community. One-third of all Arizona boating occurs on Lake Havasu. The City has offered in the past, and he would like to reiterate their offer, of having the opportunity to discuss viable alternatives to keeping that park open and provide financial relief to the state parks system. Keeping that park open is not only important to the Lake Havasu economy, but is important to the Arizona economy as well. They ultimately believe that they are in a position to assume operations in a long-term agreement with ASP that will provide an increased cash flow to the State Parks system. He stated that he appreciates the Board's dedication and he looks forward to reviewing those opportunities.

Chairman Woodling welcomed Ms. Sandy Bahr, Sierra Club – Grand Canyon Chapter and invited her to the podium.

Ms. Bahr stated that she wished she could say that it's a pleasure to be here. She is happy to be here to help support ASP, but considers this one of many sad days they've seen recently relative to State Parks and the State Parks system. She doesn't have to reiterate all that has already been discussed about how disappointing it is that we have a legislature that is so unsupportive of the parks system. The legislators were told repeatedly during the regular session and they were told repeatedly during the Special Session. They understood that ASP was on the margin already and went forward anyway. She believes that's really sad as we approach 2012 and our centennial that we could be without a real parks system. She appreciates the Board members serving at this difficult time and wants them to know that the Sierra Club is committed to working with the Board to keep the system alive. The other thing she wanted to add is that in supporting the Chairman's comments about resource protection, she thinks that if we don't protect the resources, then we're doing what the legislature is doing, which is saying, "No," to the future generations. She encouraged the Board to look closely at resource protection in deciding how to move forward in these difficult times.

Ms. Bahr added that they talked to legislators last year about something like the vehicle license fee. Obviously, having a stable funding source for parks over the long-term is critical. They were generally supportive of that, so we'll see what they do this year. Hopefully, they'll put their money where their mouth is so we can at least begin to address some of the long-term issues facing parks. She wanted to let the Board know that this is a big priority for the Sierra Club and she appreciates what the Board is doing. She noted that we do to stay within constitutional provisions. The issues with the voter protected funds has been a point of discussion. She urged the Board to stay within the provisions of the Constitution and the requirements of those voter protected funds.

G. TIME AND PLACE OF NEXT MEETING AND CALL FOR FUTURE AGENDA ITEMS

1. Staff recommends that the next Arizona State Parks Board meeting be held on January 15, 2010. The meeting place has yet to be determined but will be held in the greater Phoenix area.

Chairman noted that the next ASP meeting will be held on January 15 and that it will be a critical meeting for the people of this state. He noted that staff are trying to find a venue that will have a lot more seats than this room.

Ms. Bahl reported that Mr. Jeff Williamson, Director of the Phoenix Zoo, have offered one of their pavilions that can seat 200 or more people. There should be plenty of room. The public meeting will begin at 10:00 a.m.

2. Arizona State Parks Board members may wish to discuss issues of interest to Arizona State Parks and request staff to place specific items on future Board meeting agendas.

Mr. Colton suggested that the Board already knows what its agenda items will be for the next Board meeting.

H. ADJOURNMENT

Mr. Scalzo made a motion to Adjourn the meeting. Ms. Westerhausen seconded the motion and it carried unanimously with Mr. Landry and Mr. Armer absent. Chairman Woodling adjourned the meeting at 11:32 a.m.